

Mediating Water and  
Wastewater Tariff  
Increases  
In Greater Cairo:  
Challenges, Lessons,  
and  
Accomplishments

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FORWARD



*Collaborative Approaches for Resolving Water Issues*

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## **Introduction**

In September 1996, the USAID mission asked the Fostering Resolution of Water Disputes Project (FORWARD) to help it reach agreement on tariff increases with the Governorate of Cairo. Resource mobilization in the water and wastewater sector had long been an unresolved issue, with complex relationships among the governor of Cairo, the General Organization for Greater Cairo Water Supply (GOG), and the Cairo General Organization for Sanitary Drainage (GOSD). After years of massive donor investment in the sector, the tariffs for Greater Cairo still lagged behind those in other major cities in Egypt, and low revenues threatened the sustainability of the systems.

This paper explores the nature of the issue from the perspectives of the parties, discusses FORWARD's interventions with collaborative problem-solving tools, and identifies the major accomplishments. Unfortunately, for the present, the overall effort remains stalled because of a government decision, for unrelated reasons, not to raise any tariffs or taxes. However, efforts made over the year suggest that continued progress will be made once the government returns its attention to the issue and reopens deliberations.

## **Resource Mobilization for Water and Wastewater in Greater Cairo**

Since the early 1980s, USAID has made massive investments in physical infrastructure and institutional support in the water and wastewater sector in Egypt. In Greater Cairo alone, the mission has directed more than two billion dollars to strengthen water and wastewater services, and considerable progress has been made in the design and construction of wastewater treatment and sewer facilities for the densely populated city.

In recent years, the mission has expanded its focus to establishing resource mobilization policies and measures to ensure the long-term sustainability of these investments, but little progress had been made toward realizing a significant increase in water and wastewater tariffs. In 1994, USAID asked Ernst & Young to prepare a plan to move the Cairo General Organization for Sanitary Drainage (GOSD) toward institutional and financial autonomy. The plan recommended rates for each fiscal year (FY) from 1994 to 1998, so that GOSD could cover the costs of salaries, operation and maintenance (O&M), and operating reserves by FY97, and maintenance replacement projects by FY98. The plan required that GOSD's revenues be Egyptian pounds (LE) 125 million in FY95. An important first step in fulfilling the plan was Presidential Decree No. 95 which granted "economic entity" status to the utility.

As a result, USAID negotiated a memorandum of understanding (MOU) with the Government of Egypt (GOE) in January 1994. It stated that as part of a \$1.2 billion funding program for water and wastewater, the GOE would agree to make "tariff increases adequate to cover the cost of water and wastewater operations,

maintenance, debt service, and routine improvements.” The MOU provided a schedule for achieving the recovery of these costs.

The following month, GOSD’s board of directors agreed to pursue the rates and targets recommended in the study. An action plan, issued by the board, was approved by the Cairo Governorate. The main performance target in the plan was Ernst & Young’s proposed revenue level of LE 125 million, based on projected water charges and one-time installation fees. As a result, USAID announced:

- it would consider funding engineering designs for the governorate,
- if credible movement toward achieving this goal was clearly underway,
- but that funds for construction would be committed only when cost recovery was accomplished.

In July 1996, the Popular Council of Cairo approved the following rate changes in Decree No. 33:

- increases of 20% per year for water for two years, effective 1 September 1996 and 1 July 1997; and
- an increase in the wastewater surcharge for domestic users from 20% to 30%, for other users from 60% to 70%, but only for FY96.

In response, GOSD Chairman Muhammad El Said Youssef immediately asked the Popular Council to reconsider the decree and raise the wastewater surcharge instead to 70% for domestic users and 90% for all others. In September 1996, GOG unilaterally increased its billings for water as specified in Decree No. 33, but it made no change in the wastewater surcharge.

#### **Water Rate Setting in Egypt**

The typical rate setting process in Egypt is not complicated, but it does involve different parties at the national, governorate, and local levels of government. If, for example, the General Organization for Sanitary Drainage (GOSD) wishes to raise its wastewater surcharge rate, it must first request the increase in a memorandum to the governor of Cairo through the General Organization for Greater Cairo Water Supply (GOG). The governor then submits the request to the Executive Committee of governors, which in turn makes its recommendation to the Cairo Popular Council and its Utilities Committee. If approved by the committee and the council, the resolution is sent back to the governor, who issues a decree for implementation. Throughout the process, the prime minister has the power to intervene at any time and terminate it.

### **Interests of the Parties**

Any issue of such political importance as water and wastewater tariffs involves many

parties who have widely divergent interests. However, in this case, there was also a common concern. Egyptian leaders, including the prime minister, the governor of Cairo, and members of the Cairo Popular Council, frequently voiced their apprehension about the implications of any tariff increase. In other sectors, price increases in other sectors through the removal of subsidies had sometimes led to violence, the fall of governments, and the retreat from major policy changes.

## At the National Level

Prime Minister Kamel El Ganzouri stated on various occasions that the GOE would not impose any new burdens or taxes on the Egyptian people, especially the poor. He was reluctant to have his plans for economic reform and structural adjustment jeopardized by political instability that might ensue following tariff increases in any utility sector. At the same time, he supported policies which encouraged utilities to achieve economic sufficiency and autonomy.

## At the Governorate Level

Omar Abdel Akher, then governor of Cairo, was caught, on the one hand, between needing to be consistent with the prime minister's policy directives and not appearing to succumb to USAID demands, and his concern about the long-term sustainability of the city's physical infrastructure, on the other. The Cairo Popular Council, a politically elected body and, as such, particularly sensitive to the statements of the president and prime minister, and to a lesser extent the Governor, were skeptical of the assumptions and data underlying the target level of LE 125 million established in the Ernst & Young report.

### Major Parties to the Tariff Issue

**Prime Minister** - Did not want his government's economic reforms threatened by popular demonstrations against tariff increases.

**Governor of Cairo** - Interested in following national policy directives but concerned about sustainability of Cairo's physical infrastructure.

**Governor of Giza** - Stood to gain from any new major donor investments since sites were in Giza.

**Chairman of GOG** - Saw increases in the wastewater surcharge as problematic since billings did not differentiate water and wastewater costs and was opposed to initiatives to require payment of utility bills by government entities.

**Chairman of GOSD** - Sought increases in wastewater tariff as best option for system sustainability. Also wanted the full implementation of Decree No. 33, since the wastewater surcharge increase provided by that decree was never put into effect.

**Popular Council of Cairo** - Elected body which sought to protect the interests of end users, particularly Cairo's poor.

**USAID** - Sought cost recovery for major water and wastewater investments in Greater Cairo.

## **At the Utility Level**

For its part, GOSD pressed for an increase in the wastewater surcharge because it would:

- meet the preconditions of donors including USAID for financing their projects;
- establish an economic base to sustain its operating costs;
- create incentives to control costs and tariffs; and
- demonstrate to lenders its capacity to service long-term debt.

For GOG, however, an increase in the wastewater surcharge posed a problem. As both the billing and collecting agency, any increase in the surcharge gave the appearance of an increase in their water bill, since the two are not broken out clearly. While GOG needed to pursue modest increases of its own rates to meet its objective of financial autonomy, it was very reluctant to take the blame for an additional and substantial increase in the wastewater surcharge.

## **At the Donor Level**

After its enormous investment in Cairo's water and wastewater infrastructure, USAID's objective in seeking tariff increases for cost recovery was to achieve system sustainability. This meant the recovery of costs for salaries and O&M. Although enhanced cost recovery remains an important goal for GOG as well, USAID perceived the water utility to be further along and therefore focused its concerns on wastewater. In addition, USAID tied cost recovery for GOSD to the implementation of a third phase of the Cairo Sewerage Project, which involved an estimated \$350 million from USAID and \$150 million from European sources for capital improvements for Greater Cairo.

## **Expectations of Dispute Resolution Initiatives**

FORWARD's participation in the issue began in September 1996 when USAID asked the project to focus its initial work in Egypt on the water tariff and cost recovery issue for GOSD. Upon entering the scene, it faced:

- unmet USAID expectations for GOSD cost recovery;
- GOE assertions of the failure of USAID officials to appreciate the political

sensitivity of the tariff increase issue;

- persistent interagency infighting; and
- lack of communication and cooperation among the parties on long-term water issues.

The intensity and productivity of these early meetings masked, in part, the different expectations of the parties:

- USAID/Cairo expected FORWARD to facilitate an agreement within the Government of Egypt to increase water tariffs to meet the cost recovery goal.
- The Government of Egypt, especially the Governorate of Cairo, saw FORWARD as a vehicle for reopening the dialogue with USAID and securing continued funding for water and wastewater projects.

The productivity of early meetings masked the deep differences among the parties, which took on increasing importance during the course of the mediation.
- FORWARD, interested to begin in Egypt, was pleased to have a definite plan of activities around which to organize its efforts. It sought to establish a successful collaborative process but did not identify success with achieving a particular result.
- Environmental Quality International (EQI), a local partner, saw FORWARD as a vehicle for extending service projects in Cairo and as a way to begin thinking about long-term planning for the city by the government and USAID. It expected to achieve a tariff increase within a short time.

These differences are much clearer in hindsight than they were at the time. Unfortunately, they became more important as the process developed over the following nine months.

In addition, three important political events occurred during this period that later affected FORWARD's ability to address the issue:

- Elections to the People's Assembly, one of two houses in Egypt's parliament, were held in November/December 1995. It was clear from the election that any increase in the water tariff would not be popular among voters. The new government, which took office in February 1996, did not include a tariff increase as one of its early initiatives.
- In January 1996, the Egyptian Supreme Constitutional Court found the Local

Administration Law to be unconstitutional and dissolved all local popular councils. An interim command committee assumed the responsibilities of the Cairo Popular Council until elections could be scheduled under a new national law. They were eventually set for April 1997. The committee approved a decree raising water and wastewater rates in July 1996, but as the election drew closer, it was reluctant to make decisions on sensitive issues.

- During a meeting with the governor of Cairo, USAID officers indicated that they would withdraw funds for new projects in the city if he did not raise the water and wastewater tariffs. The governor reassured USAID that reform was imminent. The result was a questioning of good faith by both sides. The governor felt pressed unfairly by a donor that was insensitive to his political constraints, while USAID was disappointed by what it considered to be continued promises followed by inaction.

### **Applying the Mediation Process**

For purposes of discussion in this report, mediation efforts are divided into four major categories:

- coordinating and preparing;
- using a single text to reach agreement;
- seeking approval through the system; and
- building better working relationships.

The figure on the following page maps the steps taken and anticipated for resolution of the dispute.

### **Coordinating and Preparing**

FORWARD organized a team of senior Egyptian experts supported by an expatriate mediator. It provided technical expertise in financial analysis and management and senior political and diplomatic skills and experience which could work at the most senior levels of government. Among others, the team included Mounir Neamatalla, president of EQI; Moustafa Kamal Tolba, former executive director of the UN Environmental Programme; Abdel Raouf El Reedy, former ambassador to the US; and Kamal Tolba, the governor's environmental advisor, chairman of the Department of Environmental Science at the University of Zagazig, and a senior staff member of EQI. Gail Bingham, an American environmental mediator, visited Cairo in early November

1996 to meet with USAID/Cairo staff and governorate officials and help the Cairo-based FORWARD team develop a process for achieving the task.

**Figure**

### **STEPS TO RESOLUTION OF THE CAIRO WATER TARIFF DISPUTE**

***The ripeness of a case or dispute for collaborative problem-solving can only really be evaluated by “getting started” - carrying out initial interviews, building relationships, and testing the willingness of parties to participate.***

In addition to these barriers, the conflict analysis pointed to the need for three separate, yet parallel, conversations involving USAID/Cairo, Governorate of Cairo, GOG and GOSD, the Cairo Popular Council, central government authorities, and the water and wastewater utilities.

As a follow-up, John Murray, a professor at the American University in Cairo and dispute resolution expert, joined the team and conducted a series of workshops in collaborative problem-solving in December 1996 and June 1997. The training focused team members on the implications of FORWARD actions at important decision points during the process. Participants included EQI staff members and professionals who were developing expertise in mediation as associates of the National Center for Middle East Studies (NCMES). In December, several USAID staff also attended.

#### **Barriers to Increasing Water Tariffs**

A conflict analysis conducted by FORWARD at the beginning of the effort identified the following barriers facing any tariff increase:

- Equity and political concerns about the ability of the poor to pay higher tariffs, particularly regarding Cairo as the nation's capitol and as its largest urban community;
- Lack of payment of government accounts. It is assumed that government customers' collection rate was 10%, while domestic and commercial accounts pay at the 80-90% level. Raising tariffs on domestic accounts while government accounts are not paying their share for services would unfairly shift the burden to the poor;
- Lack of metering to individual households, hence the concern whether charges accurately reflect usage;
- Misclassification of commercial accounts as domestic; this won't eliminate the need for tariff increases but might reduce that the amount for domestic users especially given the fact that wastewater surcharge is substantially higher for commercial than for domestic accounts;
- Lack of agreement on assumptions about costs to be recovered; different parties have different assumptions about the elements to be considered in setting the target revenue levels for achieving 100% cost recovery; and
- Political sensitivities due to linking foreign investments to achieving cost recovery.

## Using a Single Text to Reach Agreement

Immediately following USAID's request for FORWARD's intervention, the project approached the governor of Cairo through its Egyptian partners in EQI. In this meeting, attended by EQI senior management and the project director, Governor Abdel Akher welcomed FORWARD's assistance in improving cost recovery and offered to introduce the team to officials in GOG and GOSD. After the meeting, at his request, Kamal Tolba prepared a letter to the governor formally requesting:

- introductions to GOG Chairman Adel Toweiry and GOSD Chairman Youssef; and
- appointment of a senior member of the governor's staff to serve as his liaison with the project.

The governor appointed his chief of staff, Abdou Al-Gamal, as the liaison and arranged meetings with the two chairmen. The meeting with GOSD's chairman established a close link between the FORWARD team and the staff of GOSD's USAID contractor, CH2M Hill, and created a continuing, productive working relationship.

In contrast, the meeting with the GOG chairman was postponed, and attempts by the project to reschedule it were rebuffed. During the course of the mediation, there was frequent communication between FORWARD and GOG, through the USAID contractor Black and Veatch, concerning a proposal that it facilitate a GOG visioning roundtable session for the Greater Cairo water sector. It was originally scheduled for March, then May, and finally postponed indefinitely. This link between FORWARD and GOG ended in April when USAID/Cairo informed Black and Veatch that FORWARD was not to attend a preparatory meeting in late April 1997. The apparent reason was its concern that GOG not misinterpret FORWARD's participation as signaling USAID approval for the expanded roundtable conference being proposed.

***Valuable resources that a third-party like FORWARD can offer to some participants in an issue are access to top decision-makers and the capacity to bring parties together who could not otherwise be involved or invited. This was evidently the case with GOG's desire for FORWARD to facilitate a water sector roundtable discussion of senior officials.***

The governor defined FORWARD's first major task by asking it to prepare a memorandum for his signature outlining the issues concerning water and wastewater tariff increases and presenting arguments in support. Through a series of shuttle activities, the Cairo-based FORWARD team initiated a series of independent conversations with the governor's chief of staff and representatives of GOG, GOSD,

and the chairman of the Cairo Popular Council, General Ahmad Fakhr.

***It is critical that agreements be circulated as a “single text” among parties so that they can comment on modifications suggested by others and finally reach consensus on the wording and terms. The single memorandum used by FORWARD and reviewed regularly and in turn by all parties demonstrated transparency and built trust in the process. In a sense, the circulation of the text served as a substitute for open negotiations around a table.***

The initial meetings were used to:

- C reach a shared understanding of the problem by the parties;
- C agree on a common definition of the issues;
- C identify data sources; and
- C generate options for tariff increases to be included in the memorandum.

Because of the sensitive nature of this issue, the parties recommended that Cairo water tariffs be raised to the level billed in Alexandria. Phrasing the increase in terms of the Alexandria precedent reduced GOE concerns about higher taxes for the poor. However, the proposed increase would result in only an estimated 70% cost recovery and thus create misunderstandings with USAID later in the process.

***Open negotiations may not be desirable or effective in highly politicized settings where people are reluctant to express their views or make decisions among other stakeholders. Participants were far more comfortable meeting on an individual basis with the FORWARD team and expressing their views in private.***

The governor's chief of staff suggested that:

- C the tariff increase be tackled in two stages over a period of six months in the coming fiscal year rather than in one step;
- C increases be presented in piasters, not in percentages of base water tariff; and
- C a media campaign be carried out to increase residents' awareness of the water services they are receiving, but not discuss water tariffs directly. (This approach had been used very successfully in Alexandria Governorate in support of tariff increases.)

FORWARD prepared a first draft of the memorandum, which included the parties'

suggestions and supporting data from GOG and GOSD. Throughout the data-gathering process, FORWARD encountered resistance from the GOG chairman. Because FORWARD could not get direct access, the governor's chief of staff intervened on its behalf.

***The source of a dispute is often differences over the reliability and accuracy of data. Mutual fact-finding - the joint collection and analysis of data - can be an effective means of overcoming these differences. FORWARD's efforts with GOG and GOSD brought the two authorities together and enabled them to reach agreement on something significant, thereby building positive experiences that could ripen over time into a more trusting and open interchange.***

On 12 November 1996, the governor's chief of staff gave him a final draft of the memorandum which:

- C recommended raising Cairo water and wastewater tariffs to the level of those in Alexandria;
- C argued for the tariff increases for each utility separately; and
- C discussed the issue of nonpayment of utility bills by government agencies.

The governor quickly approved the memorandum and forwarded it to the chairmen of GOG and GOSD for their signatures. A translation of the memo is provided in Annex A.

### **Seeking Approval through the System**

Encouraged by the governor's chief of staff, the GOG and GOSD chairmen agreed to submit the memorandum to the Executive Council of governors. The memorandum was approved in February 1997 and sent to the Popular Council of Cairo for its deliberation and agreement. However, elections for a new city council were to be held in April 1997 and consideration of the request was postponed until the newly elected council, with its political mandate confirmed, could gather in early May.

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USAID's unilateral suspension of all future funding for Cairo water and wastewater, an act that was initially feared to be fatal to the mediation the mediation, actually spurred the GOE to reconsider its own priorities and make policy decisions based on its own long-term goals for the sector.

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USAID/Cairo was unhappy with the memorandum as approved by the governor because it did not meet its expectations for cost recovery. In March 1997, the USAID/Cairo office chief sent a letter to the GOSD chairman informing him that because GOSD's revenues had not increased to the target level of LE 125 million, USAID would not proceed with future funding in Cairo and that there would be no new efforts to fund engineering designs for the expansion of wastewater facilities in Cairo governorate. This unilateral move by USAID was a surprise to all parties, including FORWARD, and threatened its discussions with the governor and the utility chairmen regarding water tariff increases.

The notification letter for the USAID action was also sent to the minister of International Cooperation, the minister of Finance, and the governor of Giza, whose governorate stood to benefit the most from any new investment in water and wastewater facilities, since it is the site of all physical construction. The Giza governor, in turn, wrote to the prime minister asking him to look into the causes for USAID's action and why Egyptian goals and activities were seemingly being directed by USAID priorities and decisions. The prime minister asked the Executive Council's chief of staff to complete a report on the matter. He, in turn, asked for assistance from FORWARD. Based on the original memorandum written to the governor of Cairo, FORWARD drafted a second memorandum addressed to the prime minister which also argued for restructuring water tariffs and settling the governmental agencies' debts to GOG and GOSD.

However, on 24 March 1997, the prime minister announced in a speech to the People's Assembly that the GOE would not impose any new burdens or fees on the Egyptian people. He explained that the government already provided funds needed to make up for any shortfall in revenues. The apparent reason was the government's desire to clear the way for passage of an historic bill being deliberated in parliament which would restructure rent subsidies. Government officials believed that rental rates and water tariffs could not be deliberated or raised simultaneously.

***Reframing issues in terms that are acceptable to all parties may be the most important action that a mediation process provides, since it is likely to set the terms and tone for the entire process. By broadening the focus to resource mobilization, most parties were more willing to participate constructively.***

With FORWARD's assistance, the parties had reframed the tariff increase issue from a response to USAID demands to an action that was consistent with the national privatization policy and necessary to put Egypt's financial affairs in order. In a meeting with FORWARD's Kamal Tolba, the governor of Cairo indicated that regardless of USAID's statements, he was moving ahead with the tariff increase because "... we want to restructure our system." In May 1997, even before getting Popular Council approval for the new tariff increases, the Cairo governor issued an executive order to implement Decree No. 33. The GOG chairman agreed to increase the wastewater surcharge accordingly, effective 1 July 1997.

By June 1997, two memoranda awaited approval, both calling for tariff restructuring. The first, drafted by FORWARD and signed by the chairmen of GOG and GOSD, called for increasing Cairo water and wastewater tariffs to Alexandria's levels. It was sitting with the Utilities Committee of the Cairo Popular Council, awaiting legislative action. The second memorandum was drafted with FORWARD assistance by the chief of staff of the Executive Council, a deliberative body which is composed of all of the governors of the country and headed by the prime minister. The memorandum, addressed to the prime minister, supported the payment of utility bills by government entities as a means of achieving cost recovery and was placed on the agenda of the Executive Council.

All action stopped at this point. In July 1997, the president dismissed many governors, including Omar Abdel Akher of Cairo, and shifted others from one governorate to another. Governor Shehadeh of Giza became the governor of Cairo. In assuming his new position, Governor Shehadeh asked FORWARD team member Kamal Tolba to postpone discussion of a water tariff increase until deliberations were completed for a new housing bill which would be discussed by the People's Assembly in early 1998. The prime minister also postponed consideration of all water tariff increases. Implementation of Decree No. 33 was therefore frozen, and all water and wastewater surcharges increases approved by the Cairo Popular Council were rescinded.

### **Building Better Working Relationships**

In April 1995, GOG and GOSD signed a joint protocol to exchange information on billing and collections of GOSD revenue and establish methods for transferring those revenues from GOG to GOSD.

Despite this agreement, real communication between the two utilities was strained, and interest in a good working relationship was clearly only one way. GOSD wanted and needed good communication with GOG; GOG perceived GOSD as an agency of lesser importance, the needs of which were not of high priority.

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Through shuttle diplomacy, supported by the USAID contractors, Black and Veatch and CH2M Hill, FORWARD helped reopen the channel between GOG and GOSD, which had previously been characterized by cool and irregular communication.

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FORWARD helped reopen the channel between GOSD and GOG through its efforts in shuttling between the two agencies while preparing the governor's memorandum, especially in developing data on revenue collection. FORWARD's efforts required GOG and GOSD to interact regularly over a six-month period. Improved cooperation between them on a wide range of issues is another outcome of the mediation. The two agencies joined together in June 1997 to discuss the matter with the Ministry of Housing and the Ministry of Finance. By July, GOG and GOSD were working together on a regular basis to achieve the goals of the joint protocol; GOG

now routinely paid GOSD all its revenues from the wastewater surcharge by automatically shifting its collections to GOSD.

### **Conclusions: Major Accomplishments**

During its year of involvement in the Cairo tariff dispute, FORWARD's efforts brought about several significant changes:

**The parties agreed that providing neutral resources raised the level of the technical dialogue during the tariff mediation.**

FORWARD brought outside and neutral expertise to the discussions and opened communication channels that were not otherwise available. The financial, environmental, economic, and facilitative expertise of FORWARD helped in the collection of information needed for the memorandum on tariff restructuring for the governor. This information was

scattered among different agencies, and FORWARD designed the process and engaged the parties in the effort.

FORWARD also enjoyed direct and personal access at high levels in the GOE, governorate, and local council.

These contacts made it more likely that the recommendations agreed to by the

parties would receive the attention of the appropriate decision-makers.

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FORWARD's contacts at the highest levels of government increased the likelihood that recommendations agreed to by the parties would be reviewed and acted upon by the appropriate decision-maker.

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On the other hand, the project was unable to establish direct access to two key parties in this process, leaving it without important options at critical points in the process:

- The team tried but failed to develop a strong link to the GOG chairman and his senior staff, which would have been helpful when they considered decisions affecting the outcome of tariff increases.
- FORWARD relied on the governor's office to keep the prime minister informed and engaged in the tariff restructuring issue, but the governor of Cairo could not deliver a tariff increase once the prime minister voiced public opposition to added taxes and fees on the poor.

**The parties reframed the central issue and expanded the focus from raising the Cairo water tariff to a broader one of resource mobilization.**

Reframing the issue helped the parties develop supporting arguments for increased tariffs based on national economic sufficiency and financial autonomy and allowed them to avoid the appearance of giving in to the demands of donor agencies.

This new focus also expanded the dialogue among the parties beyond tariffs and left room for more creative analysis of the problem to identify other options for helping achieve cost recovery. The

parties quickly recognized that the issue of payment of utility bills by the government was central to solving the problem of cost recovery and that it concerned not only GOG, GOSD, and the governor's office, but also the Ministry of Finance, the Ministry of Electricity, and other national-level agencies.

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Reframing the dispute from a narrow tariff increase to a broader resource mobilization issue expanded the dialogue and allowed the parties to look for multiple options for achieving cost recovery.

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As with the tariff increases, parties varied in their interest in tackling the payment of utility charges. GOSD was very interested because it stood to gain significant additional revenue, but GOG was strongly opposed because its debts to the Ministry of Electricity would more than offset any gain received. GOG's budget contained no line item for electricity.

**Training in collaborative problem-solving given to team members succeeded in focusing them on key process issues as they tried to achieve practical goals in the Cairo water tariff mediation.**

FORWARD also created a small group of Egyptian professionals who could be called upon with short notice to co-mediate a dispute and provide training in negotiation and consensus-building skills to government officers and other stakeholders.

As a result of FORWARD's efforts, there is evidence of change in how parties relate to each other. Key parties appear to recognize the importance of informal communication and coordination before requests become fixed and formal action is initiated. GOG and GOSD have changed their interaction, and links between them and with the governor's office and the chairman of the local popular council are likely to reflect this change.

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Although GOG and GOSD took different sides of the issue about payment of utility bills by government entities, it did draw them together in negotiations and led to a closer working relationship on other matters.

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At the same time, momentum in increasing water and wastewater tariffs is at least temporarily stalled in Cairo. Local political agendas are key elements in determining the success of any public decision-making process. The government's decision not to raise taxes or fees on the poor led to its not adopting tariff increases. A good collaborative process must accommodate these political considerations since they are the essence of public decision-making. In the long run, the success of any third-party

effort will rest on whether the parties developed more constructive ways of resolving their problems.

## **Annex B**

### **ACRONYMS AND TERMS**

EQI	Environmental Quality International
FORWARD	Fostering Resolution of Water Resources Disputes Project
FY	Fiscal year
GOE	Government of Egypt
GOG	General Organization for Greater Cairo Water Supply
GOSD	Cairo General Organization for Sanitary Drainage
LE	Egyptian pound
MOU	Memorandum of understanding
O&M	Operation and maintenance
USAID	U.S. Agency for International Development